

Rating Update
April 16, 2024 | Mumbai**Patdiam Jewellery Limited****Update as on April 16, 2024**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Significant increase in revenue while sustaining operating margin above 9%
- Substantial improvement in working capital cycle

Downward factors:

- Steep decline in revenue and operating margin resulting in cash accrual of less than Rs 4 crore
- Further stretch in working capital cycle impacting financial risk profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Patdiam Jewellery Limited (PJL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Established in 1999 in Mumbai by Mr Pravin Kakadia and his family members, PJL manufactures diamond-studded gold jewellery. In 2015, it was listed on the Bombay Stock Exchange.

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Rating Rationale

February 23, 2023 | Mumbai

Patdiam Jewellery Limited

Long-term rating upgraded to 'CRISIL BB+ / Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.21 Crore
Long Term Rating	CRISIL BB+/Stable (Upgraded from 'CRISIL BB / Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the bank facilities of Patdiam Jewellery Ltd (PJL) to '**CRISIL BB+/Stable**' from '**CRISIL BB/Stable**' and reaffirmed the short-term rating at '**CRISIL A4+**'.

The upgrade reflects the sustained improvement in business risk profile, as seen in significant increase in revenue to Rs 106 crore in fiscal 2022 from Rs 68 crore in fiscal 2021; operating margin also improved to 9.37% from 7.19% due to higher demand for the intricate jewellery manufactured by the company. Revenue growth is expected to sustain in fiscal 2023 on the back of healthy orders. PJL have booked revenue of Rs 53.76 crores till Sept 2023 in current fiscal FY2023. Furthermore, liquidity strengthened on the back of higher accrual, moderate reliance on bank limit and significant cash and cash equivalents. Financial profile continues to remain strong.

The ratings reflect the extensive experience of the promoters in the jewellery business, improving business profile marked by increasing revenue as well as EBIDTA and comfortable financial risk profile. These strengths are partially offset by modest scale of operations amid intense competition and large working capital requirement.

Analytical Approach

Unsecured loans have been treated as debt.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters:** Presence of over two decades in the jewellery industry has enabled the promoters to develop a strong understanding of market dynamics and establish healthy relationships with suppliers and customers. Revenue was around Rs 105 crore in fiscal 2022 and is expected to increase to Rs 110-120 crore in fiscal 2023 due to steady inflow of orders.
- **Comfortable financial risk profile:** Financial risk profile is likely to remain stable over the medium term with limited reliance on debt. Networth was large at Rs 45.35 crore as on March 31, 2022, while gearing and total outside liabilities to adjusted net worth (TOLANW) ratio were healthy at 0.1 time and 0.22 time, respectively. Debt protection metrics were adequate, with interest coverage and net cash accrual to adjusted debt ratios of 9.82 times and 1.45 times, respectively, in fiscal 2022. Debt protection metrics is estimated to improve further with interest coverage and net cash accrual to adjusted debt ratios of 13.81 times and 2.58 times, respectively, in fiscal 2023.

Weaknesses:

- **Modest scale of operations amid intense competition:** Revenue was modest at Rs 105.74 crore in fiscal 2022 and restricts bargaining power against customers and suppliers. Also, the jewellery industry is highly fragmented, which may continue to constrain scalability, pricing power and profitability.

- **Large working capital requirement:** Gross current assets (GCAs) were 179 days as on March 31, 2022 and are expected to be 170-190 days as on March 31, 2023, because of moderate inventory of 40-60 days and stretched receivables of 85-110 days as the company provides high credit period of 90-120 to its regular customers. Working capital cycle may remain stretched over the medium term with no changes expected in operating policy.

Liquidity: Adequate

Bank limit utilisation was 46% for the 12 months through December 2022. Cash accrual is expected to be over Rs 7.5 crore for fiscal 2023 and will be sufficient to meet term debt obligation of Rs 0.71 crore. The cash accruals for fiscal 2024 and fiscal 2025 are estimated to be in range of Rs 8.5-9.5 crores and it will be sufficient to meet the term debt obligation of Rs 0.35-0.72 crore for fiscals 2024 and 2025. Current ratio was healthy at 5.95 times, while cash and bank balance stood at around Rs 13.95 crore as on March 31, 2022. Low gearing and strong networth support financial flexibility and provide cushion against any adverse condition or downturn in the business.

Outlook: Stable

The company will continue to benefit from the extensive experience of its promoters and established relationships with clients.

Rating Sensitivity factors

Upward factors:

- Significant increase in revenue while sustaining operating margin above 9%
- Substantial improvement in working capital cycle

Downward factors:

- Steep decline in revenue and operating margin resulting in cash accrual of less than Rs 4 crore
- Further stretch in working capital cycle impacting financial risk profile

About the Company

Established in 1999 in Mumbai by Mr Pravin Kakadia and his family members, PJL manufactures diamond-studded gold jewellery. In 2015, it was listed on the Bombay Stock Exchange.

Key Financial Indicators

As on / for the period ended March 31		H1 2023	2022	2021
Operating income	Rs crore	51.72	105.74	67.58
Reported profit after tax (PAT)	Rs crore	3.61	6.25	2.78
PAT margin	%	6.98	5.91	4.12
Adjusted debt/adjusted networth	Times	-	0.10	0.22
Interest coverage	Times	15.7	9.80	4.74

Status of non cooperation with previous CRA

PJL did not cooperate with India Ratings and Research Pvt Ltd, which classified it as issuer not cooperative vide release dated December 07, 2021. The reason provided by India Ratings is non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Packing credit	NA	NA	NA	8.65	NA	CRISIL BB+/Stable
NA	Post shipment credit	NA	NA	NA	12.35	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	21.0	CRISIL BB+/Stable / CRISIL A4+		--	31-01-22	CRISIL BB+/Stable / CRISIL A4+		--		--	Suspended

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Packing Credit	4.1	State Bank of India	CRISIL BB+/Stable
Packing Credit	4.55	Punjab National Bank	CRISIL BB+/Stable
Post Shipment Credit	6.11	State Bank of India	CRISIL A4+
Post Shipment Credit	6.24	Punjab National Bank	CRISIL A4+

This Annexure has been updated on 23-Feb-2023 in line with the lender-wise facility details as on 31-Jan-2022 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
CRISILs Approach to Financial Ratios

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